Canadian Grain Commission
Commission canadienne des grains

Future-oriented statement of operations (unaudited)

2012-2013

Canada

Statement of Management Responsibility
Canadian Grain Commission

Departmental management is responsible for these future-oriented financial statements, including responsibility for the appropriateness of the assumptions on which these statements are prepared. These statements are based on the best information available and assumptions adopted as at November 30, 2012 and reflect the plans described in the Report on Plans and Priorities.

The actual results achieved for the fiscal years covered in the accompanying financial information will vary from the information presented, and the variations may be material.

The future oriented financial statements for the Canadian Grain Commission have been reviewed by the Department and Agency Audit Committee; however they have not been audited.

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FUTURE-ORIENTED STATEMENT OF OPERATIONS (unaudited)

(in thousands of dollars)
For the year ending March 31

	Quality Assurance	Quantity Assurance	Grain Quality Research	Producer Protection	Internal Services	2012-2013 Total	%	2011-2012 Total	%
Service Fees	26,495	10,852	0	300	0	37,647	54%	47,406	57%
Appropriations	3,291	438	11,006	1,149	16,364	32,248	46%	35,740	43%
Total Revenue	**29,786**	**11,290**	**11,006**	**1,449**	**16,364**	**69,896**	**100%**	**83,146**	**100%**
Salaries	33,469	11,182	7,169	3,135	10,492	65,447	78%	64,721	80%
Rent	2,327	553	972	184	637	4,672	6%	4,184	5%
Travel	1,483	387	291	174	1,045	3,380	4%	3,123	4%
Repairs & Supplies	1,201	240	897	61	369	2,768	3%	3,275	4%
Amortization	1,403	135	958	190	324	3,011	4%	2,403	3%
Professional & Special Svcs	178	33	59	60	2,031	2,362	3%	1,786	2%
Communications	147	81	129	64	775	1,195	1%	1,155	1%
Other	635	207	(66)	46	225	1,047	1%	547	1%
Total Expenses	**40,845**	**12,818**	**10,410**	**3,913**	**15,898**	**83,884**	**100%**	**81,194**	**100%**
Shortfall requiring access to accumulated surplus	**(11,059)**	**(1,528)**	**596**	**(2,464)**	**466**	**(13,988)**		**1,952**	

The accompanying notes form an integral part of these future-oriented financial statements.

Budget Framework 2012-2013 Accrual Basis	83,884
Less: Amortization	(3,011)
Add: Capital	4,753
Less: Severance Accrual	(1,300)
Add: Forecasted Severance Payout	1,000
Budget Framework 2012-2013 Cash Basis	85,326

Notes to the Future-Oriented Statement of Operations (unaudited)

1. AUTHORITY AND OBJECTIVES

The CGC Revolving Fund ["CGC", the "Revolving Fund" or the "Fund"] derives its authority from the *Canada Grain Act* ["CGA"]. The CGC's mandate as set out in the CGA is to, in the interest of producers, establish and maintain standards of quality for Canadian grain and regulate grain handling in Canada, to ensure a dependable commodity for domestic and export markets.

2. SIGNIFICANT ASSUMPTIONS

The future-oriented financial statements have been prepared on the basis of the government priorities and the plans of the department as described in the *Report on Plans and Priorities*.

The main assumptions are as follows:

(a) The department's activities will remain substantially the same as for the previous year.
(b) Expenses and revenues, including the *determination of* amounts internal and external to the government, are based on historical *experience. The* general historical pattern is expected to continue.
(c) Estimated information for 2012-13 is based on the authority granted to the CGC in Budget 2012.
(d) Due to the delay in the CGC's ability to prepare value added future oriented financial statements, the estimated results for 2011-12 are based on the actual year end results as published in our audited financial statements and 2012 Public Accounts.

These assumptions are adopted as at August 31, 2012.

3. VARIATIONS AND CHANGES TO THE FORECAST FINANCIAL INFORMATION

While every attempt has been made to accurately forecast final results for the remainder of 2011-12 and for 2012-13, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing these financial statements, the CGC has made estimates and assumptions concerning the future. These estimates and judgments may differ from the subsequent actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the future-oriented financial statements and the historical financial statements include:

(a) Economic conditions in relation to grain volumes may affect both the amount of revenue earned and the collectability of accounts receivable.
(b) Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.
(c) The timing and amounts of acquisitions and disposals of property, plant and equipment may affect gains/losses and amortization expense.
(d) Implementation of new collective agreements.

The CGC has updated the forecasts as presented in the Report on Plans and Priorities for changes to appropriation as a result of monies received in supplementary estimates.

4. SIGNIFICANT ACCOUNTING POLICIES

The future oriented financial statements have been prepared in accordance with accounting standards issued by the Treasury Board of Canada Secretariat which are consistent with Canadian generally accepted accounting principles for the public sector, except employee vacation and severance liabilities are based on management's estimate of the liabilities rather than based on actuarial estimates.

The significant accounting policies are as follows:

Parliamentary appropriation

The ongoing Parliamentary appropriation received for the Appointments by the Governor in Council of Assistant Commissioners and Grain Research Laboratory expenditures has been recorded as revenue of the Fund. The cash accounting basis is used to recognize transactions affecting parliamentary appropriations. The future-oriented financial statements are based on accrual accounting. Consequently, items presented in the Future-oriented Statement of Operations are not necessarily the same as those provided through appropriations from Parliament. Note 5 provides a reconciliation between the bases of reporting.

Revenues

Revenues are presented on an accrual basis:

- Revenues from service fees are recognized in the accounts based on the services provided in the year.
- Revenues that have been received but not yet earned are presented as deferred revenue. Deferred revenue is primarily received for licensing fees which cover a 12-month period.
- Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.

Expenses

Expenses are presented on an accrual basis:

- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.

Employee future benefits

- Employee severance benefits: Severance benefits accrue to employees over their years of service with the Government of Canada as stipulated in their collective agreements.
- Pension plan: Employees of the CGC are covered by the *Public Service Superannuation Act* and the *Supplementary Retirement Benefits Act*. The Government of Canada's portion of the pension cost is included in the employee benefit charge assessed against the Revolving Fund. The actual payment of the pension is made from the Public Service Superannuation and Supplementary Retirement Benefits Accounts. Current legislation does not require the CGC to make contributions for any actuarial deficiencies of the Public Service Superannuation account.

Tangible capital assets

Certain assets previously under the custody of the Department of Agriculture and Agri-Food Canada were assumed by the Revolving Fund on April 1, 1995. The assumed assets were considered to be contributed capital and recorded at the Crown's estimated net book value. Assets acquired subsequent to April 1, 1995 were recorded at cost. Proceeds from the disposal of capital assets are retained by the Revolving Fund.

All tangible capital assets and leasehold improvements with a cost equal to or greater than $10,000 are capitalized at their acquisition cost.

Assets are amortized on a straight-line basis over their estimated useful lives, commencing in the month after acquisition, as follows:

Scientific equipment	5 years
Office equipment and furniture	5 years
Operational equipment	10 years
Motor vehicles	5 years
Computer equipment and software	3 years
Leasehold improvements	5 years (term of the lease)

Vacation pay

Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment and are recorded in the accounts at year end based on employee records.

Interest on drawdown

Interest is charged to the Revolving Fund at a rate set by the Treasury Board. Interest charges are calculated monthly on the balance of the accumulated net charge against the Fund's authority. The Treasury Board does not pay interest when a surplus arises that result in no drawdown against the authority.

Measurement uncertainty

The preparation of these financial statements in accordance with Canadian generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the periods covered by the financial statements. The principal financial statement components subject to measurement uncertainty include salaries payable related to unsettled labour contracts, the useful life of tangible capital assets, the variability of annual grain volumes which can fluctuate up to 20 percent from year-to-year resulting in variable revenue from fees, and the liabilities for employee vacation and severance benefits. Actual results could differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

5. PARLIAMENTARY APPROPRIATIONS

The CGC is funded by a combination of an ongoing appropriation, special appropriation, authority to re-spend fees collected, accumulated surpluses from prior years and a revolving line of credit of $2 million. The CGC has not drawn on its line of credit since 2003-2004. The CGC is examining long-term options to address the evolving needs of the grain industry in a financially sustainable manner.

Items recognized in the future oriented statement of operations in one year may be funded through parliamentary appropriations in prior, current or future years. Accordingly, the CGC has different results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables.

Authorities:

	Forecast 2013	Estimated 2012
	(in thousands of dollars)	
Authorities		
Program Expenditure - Vote 30	31,626	35,030
Transfer from Vote 25		137
Transfer from Vote 30		71
Statutory		
Contributions to employee benefit plan	622	622
Revenue Credited to Vote	42,883	47,074
Access to Accumulated Revolving Fund Surplus	15,452	8,500
Spending of proceeds from disposal of assets		58
Total Authorities	90,583	91,492

Authorities for the years ending March 31, 2012 and March 31, 2013 include amounts presented in the Main Estimates, Supplementary Estimates (A) and (B), planned for presentation in Supplementary Estimates (C), estimates of amounts to be allocated at year-end from Treasury Board central votes and other authorities provided by Treasury Board.

Reconciliation of total expenses to total authorities:

	Forecast 2013	Estimated 2012
	(in thousands of dollars)	
Total expenses (accrual basis)	**83,884**	**81,194**
Adjustments for items affecting total expenses but not affecting authorities:		
Amortization of tangible capital assets	3,011	2,403
Increase in employee future benefits	1,300	1,569
Other		561
	4,311	4,533
Adjustments for items not affecting total expenses but affecting authorities:		
Acquisitions of tangible capital assets	4,753	1,831
Employee future benefits	1,000	2,955
Other	-	447
	5,753	5,233
Total expenses (cash basis)	**85,326**	**81,894**
Other Adjustments		
Projected revolving fund surplus	-	9,598
Difference between respendable revenue authority limit and projected revenue earned	5,257	
Total Authorities	**90,583**	**91,492**

6. EMPLOYEE SEVERANCE BENEFITS

The CGC provides severance benefits to its employees based on eligibility, years of service and final salary. These benefits are currently funded through a monthly salary accrual based on a calculation of the actual severance liability owed per employee.

With Budget 2011, the Government of Canada announced its intention to eliminate the ongoing accumulation of severance benefits. As collective agreements are negotiated, it is expected that severance benefits will cease to accumulate and employees will be given the option to liquidate immediately.

	Forecasted 2013	Estimated Results 2012
	(in thousands of dollars)	
Employee severance benefits, beginning of year	11,268	12,655
Expense for the year	1,300	1,568
Benefits paid during the year	(1,000)	(2,955)
Employee severance benefits, end of year	11,568	11,268

Potential impacts of changes in collective agreements have not been reflected in forecasted amounts.

7. LEASE COMMITMENTS

Operating leases for office accommodation have been primarily entered into with Public Works and Government Services Canada. Future minimum annual lease payments over the next five years are estimated as follows:

		Forecast
		(in thousands of dollars)
Year ending March 31,	2013	3,659
	2014	3,853
	2015	4,563
	2016	3,975
	2017	3,964

Occupancy Instruments are not reflected past their current expiry dates.

8. CONTINGENT LIABILITIES

Claims have been made against the CGC in the normal course of operations. Management believes that these claims are without merit. The outcome of these actions is not presently determinable and, accordingly, no provision for these claims has been made in these financial statements.

9. RELATED PARTY TRANSACTIONS

The CGC is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The CGC enters into transactions with these entities at arms length in the normal course of business and on normal trade terms.

Services provided by other government departments

During the year, the CGC paid rent, legal and translation services to other government departments or agencies. Employer's health insurance plan contributions and employee benefit plans were also provided by and paid to other government departments. Significant services have been recognized in the CGC statement of operations as follows:

	Forecasted 2013	Estimated Results 2012
	(in thousands of dollars)	
Employer's contribution to employee benefit plans	14,804	13,151
Rent	4,672	3,996
Legal services	350	266
Translation services	400	278
	20,226	17,691

10. INSURANCE

In accordance with the Government's policy of self-insurance, the CGC does not carry its own insurance.

11. INCOME TAXES

The CGC is not subject to income taxes.